

Strategic Committee on Postsecondary Education
Minutes
November 15, 2001

The Strategic Committee on Postsecondary Education met November 15, 2001, at 11 a.m. (ET) in Room 131 of the Capitol Annex. Members attending: Ms. Adams, Mr. Baker, Mr. Davies, Mr. Ford, Ms. Helm, Mr. Kelly, Ms. Luallen, Ms. Miller, Mr. Moberly, Governor Patton, Mr. Ramsey, Mr. Richards, Mr. Sanders, Mr. Stivers, Mr. Turner, and Mr. Williams. Members absent: Mr. Barrows, Mr. Boswell, Mr. DeWeese, Mr. Hall, Mr. Hoover, Mr. Karem, Ms. Menendez, Mr. Neal, Mr. Rose, Mr. Stumbo, and Ms. Weinberg. Mr. Whitehead chaired the meeting.

The minutes of the June 8, 2001, and the September 26, 2001, meetings were approved as presented.

The purpose of this meeting was to apprise SCOPE members about the Council on Postsecondary Education's budget request to the Governor. Mr. Gordon Davies and Ms. Angela Martin made the presentation.

Mr. Davies commented that education is the only way to transform Kentucky's economy and to help Kentuckians live better lives. Irrespective of budgetary issues, this reform will be kept going.

The council focused on five priority expenditure items within its overall request that will enable the continuation of its major reform goals. These goals have to do with changing the way Kentuckians view postsecondary education and its research enterprise.

The first expenditure priority is to continue to pay for more than 19,000 additional students who have enrolled in Kentucky's colleges and universities since 1998. The second priority is to pay for about 6,600 more students (this number was derived after having discussions with the institutional presidents) that will likely be enrolled by fall 2002. The third priority is to continue creating the research capacity that is essential to the efforts to create a new knowledge-based economy. The fourth priority is to maintain two equal educational opportunity programs that, although small, are critical to ensuring that everyone has a chance to live a better life and provide for his/her family. Finally, the council urged SCOPE to advocate maintaining Kentucky's commitment to need-based financial aid -- to provide financial aid to the neediest of Kentucky's citizens.

[The purple card, a summary of the budget recommendations, was distributed to the committee and was referred to many times during the meeting.]

The council also endorsed a number of capital projects that it thinks should be undertaken if money is available or that should be placed on a surplus expenditure plan listing, if money is not available in the regular budget.

The primary reason capital projects are not the highest priority goes to the very nature of the change seen in American life and the economy; that is, the most valuable resource is no longer physical capital, but intellectual capital. Building intellectual capital through increased enrollment and through increased research capacity is critical to this effort.

The system remains fairly well endowed with space overall, except for a need for research space that is tied to the new economy. Space is a part of university management and universities still have a fair amount of flexibility in this area.

Part of paying for the research is continuing the Bucks for Brains program. Every sign shows that Bucks for Brains will probably have to be debt financed, if it is to be done in this current budgetary environment.

Ms. Martin, the council's vice president of finance, continued the discussion. **Special funding requests.** The council is recommending three special funding requests. The first is the Kentucky State University land grant match. Under the United States Department of Agriculture's land grant program, Kentucky State University now has to provide a 50 percent non-federal match during each year of the next biennium. This percentage implemented a few years ago, has been slowly increasing, and now tops out at 50 percent for the next biennium. The council has examined the past funding history of KSU and has determined that a good portion of this non-federal match is already in KSU's base because the dollars have been historically included in the funding formula. The council is recommending that KSU receive the difference between the amount in the KSU base budget and the 50 percent required match. Thus, the council is asking that KSU receive an additional \$487,000 in the first year of the biennium and \$501,000 in the second year to fully fund the USDA non-federal match requirement.

The second project or special funding request is for Eastern Kentucky University. ECU has a deaf interpreter-training program that currently receives funding from the Department of Vocational Rehabilitation (DVR). ECU has been notified that DVR is going to be cutting its funding by 50 percent for the next biennium and will probably be providing zero funding in the following biennium. Thus, the council is recommending that ECU receive \$110,000 in the first year and \$124,000 in the second year – basically as replacement for the lost DVR funds. These funds are net of tuition revenue the program generates and indirect cost reimbursement.

The third special funding request is for the University of Louisville and its Trover Clinic program. The Trover Clinic is an off-campus center for medical education in Madisonville. UofL receives a non-recurring appropriation from coal severance tax revenues in the current biennium and the council is asking for replacement funding for those nonrecurring funds. The net amount of tuition revenue is \$716,000 each year, and does not include any indirect cost reimbursements.

Trust funds. As a result of House Bill 1, the council has six statutorily-established trust funds. In the last session, the General Assembly created two additional trust funds

making a total of eight trust funds. The council is now requesting funding for ten trust funds.

One existing trust fund the council is not requesting an increase for is the adult education and literacy trust fund. That fund currently has an \$11.7 million appropriation. The council is asking that funds in that same amount continue into the next biennium.

Endowment match program (Bucks for Brains). The council is requesting a third round of the Bucks for Brains program that is actually split between two trust funds. One is under the research challenge trust fund for the University of Louisville and the University of Kentucky. The other is under the regional university excellence trust fund for the six comprehensive institutions. The council is asking for \$120 million -- the same amount provided in the current biennium. The institutions will be required to match this money dollar for dollar. As of today, this program has received \$230 million in state funds -- \$110 million in 1998-2000 and \$120 million in 2000-02. The institutions have matched 94 percent of these funds to date.

Physical facilities trust fund. This trust fund includes debt service for capital projects that have been funded for the institutions or for the system. The council is requesting another \$30 million for a capital renewal and maintenance pool. The institutions would have to match these funds and use this money for capital renewal, roof replacements, heating, ventilation, and air conditioning, etc. In the last budget, institutions were asked to match the funds dollar for dollar -- thus, a \$60 million total. This time the match will be varied depending on how well an institution maintains its facilities. The total match would be \$54 million counting the pool. The council is requesting \$2.9 million in the second year of the biennium for debt service.

The other capital project is the renovation of Hathaway Hall at Kentucky State University, KSU's primary instructional facility. This is the last remaining commitment related to the partnership agreement with the U.S. Office for Civil Rights. The partnership agreement expires December 2002. The council is requesting \$589,000 in debt service for an approximately \$6 million renovation project.

Two new trust funds. The enrollment growth and retention trust fund. The council is seeking \$22.3 million in fiscal year 2004 for this trust fund. Based on the growth that the institutions have already incurred and the enrollment goals that they are pursuing (6,600 more students by the fall of 2002), \$22 million will fund that projected enrollment growth at a 50 percent marginal cost (50 cents on the dollar). Thus, the council is not asking for full funding. The money will be allocated for both enrollment and retention. Council staff is working on a framework to allocate and distribute these funds and will likely be taking a proposal to the council in February.

The council is also asking, as part of this trust fund, for \$300,000 for a P-16 challenge grant program. This money is to reward P-16 councils for collaborative efforts involving independent colleges, public schools, universities, communities, and the KCTCS to increase college-going rates in local communities.

Mr. Davies explained that the enrollment growth and retention trust fund is a new trust fund, but it is not a new idea. It is actually embedded in the research challenge trust fund, the regional university excellence trust fund, and the workforce development trust fund. The current enrollment growth program was paid for in three separate trust funds. The council is now suggesting that these programs be put in a single trust fund. The purpose is to challenge and energize communities around the notion of having fewer kids drop out of high school.

Ms. Martin continued that the last new proposed trust fund is a **teacher quality trust fund** at \$4 million. This fund would be competitive, and institutions would submit collaborative proposals to involve independent colleges. It would be distributed in the second year of the biennium.

Mr. Moberly commented that the council asked the institutions to use a certain percentage of their action agenda money in the current biennium and that several of the institutions did. However, looking ahead to a model trust fund as a policy matter, it should not simply be distributed to every institution. Rigorous criteria should be met and it ought to be used as a change agent to make sure these programs are doing what is expected of them. Mr. Davies agreed.

Mr. Williams asked whether the substantial increase in enrollment at Kentucky's colleges and universities had resulted in a corresponding increase in the number of remedial students on the campuses. It was indicated that remedial education information would be provided.

Mr. Davies indicated that the workforce development trust fund is designed for the community and technical college system. The primary objective of that trust fund has been to provide the KCTCS with \$6 million annually for on-the-spot job training as needed. The council is recommending that \$6 million be moved into the KCTCS base and that this money continue to be spent for this purpose. President McCall agreed with that recommendation.

Ms. Helm asked about additional funding for the SREB doctoral scholars program and the governor's minority student college preparation program. Mr. Davies replied that the GMSCPP is for minority students in the middle schools. Minority youth are brought to the campuses to experience campus life. The second program is the Southern Regional Education Board (SREB) doctoral scholars program that exists throughout the 15 SREB states. It identifies outstanding young African American college graduates and provides them with tuition and stipends to pursue doctoral programs so they can enter the teaching corps. Neither of these programs received a direct general fund appropriation in the 2000 budget, but the council used salary savings funds to put money into both programs on a nonrecurring basis.

Capital budget recommendation. The council endorses 16 capital projects, if funding is available, and if not, asks that they be included in a surplus expenditure plan. The

projects total \$340 million. Research space is especially endorsed as a high priority for UofL and UK. The council is requesting, as in the past, that research institutions fund 40 percent of the cost of research space and that the state pick up 60 percent so as to reflect the research dollars that will be generated as a result of these facilities.

Mr. Davies added that this 60/40 split was used in the 2000 budget. Presidents Shumaker and Todd and Commissioner for the New Economy Brundage have suggested that there may be alternatives to a flat 60/40 split -- the state picking up the debt service early and then having the universities picking up a higher share as the facilities come into full use. The council is very open to alternate ways in which shared funding can be implemented, but did want to make the point that shared funding should be part of any research space funding approach.

Ms. Martin discussed projects that would be eligible for the capital renewal and maintenance pool and agency-funded bond projects that would not require a commitment of state funds but would count against the state's debt capacity.

The council is recommending \$100 million for the agency bond pool. The listing of eligible agency bond pool projects totals \$257 million.

The institutions requested authority to use agency funds to complete or construct over 300 projects. Any capital project costing more than \$400,000 or any piece of equipment costing more than \$100,000 must be individually authorized by the General Assembly, regardless of fund source.

Mr. Davies added that research space at Kentucky's two research institutions is key to building the new economy that Commissioner Brundage is working toward and also is key to the strategic agenda of the Kentucky Innovation Commission. He indicated that several of the community and technical colleges' new construction projects are also important to localities for community and economic development purposes.

NKU President James Votruba, convener of the council of presidents, addressed SCOPE. In 1998, the institutions were asked to increase postsecondary education enrollments by 80,000 students by 2020. The system is currently ahead of schedule in meeting that goal. In addition, retention rates, graduate enrollment, and research productivity are all up. Moreover, private giving is at record levels. New research and instructional facilities are making it possible for all institutions to recruit and retain outstanding faculty and students who will help secure Kentucky's economic future.

An unprecedented level of institutional collaboration is making it possible to leverage institutional capacity through new partnerships between and among Kentucky's colleges and universities. A prime example is the joint statewide engineering initiative the council commenced with four universities. Another example is the cooperation between the new community college in northern Kentucky and Northern Kentucky University.

With strong support from Governor Patton, the General Assembly, and the Council on Postsecondary Education, postsecondary education reform is flourishing. Things can and are being done for students and communities that would have been impossible to do before 1997 and HB1.

All institutional presidents understand the state's fiscal situation is extremely challenging. The council has involved the presidents and has presented a strong set of budget recommendations -- budget recommendations that are aligned with the educational needs of the Commonwealth. Each president supports the council's recommendations and will act on its behalf during the upcoming General Assembly.

Recognizing that the current state budget situation will make it difficult, if not impossible, to fully fund the council's budget recommendations, the presidents believe the council's budget priorities are in the correct order. At the top of the list is the need to fund base budgets including benchmark funding. Another high priority is continued funding for institutional enrollment growth. If growth is not funded, the quality of education provided to students will be put at risk and eventually it will slow the rate of growth. Neither should happen.

The continued funding of research capacity, which in the knowledge-based economy is fundamental to economic competitiveness, is also essential. This includes the need to fund high-priority research facilities as well as what's referred to as Bucks for Brains which has been a powerful tool for UK, UofL, and the comprehensive universities to leverage private support.

The success of Kentucky's new economy initiative depends on both the willingness and ability to continue to expand the state's research capacity.

Support for need-based financial aid continues to be a high priority as well.

There is a level of collaboration among the colleges and universities that bodes well for the future. That spirit of cooperation, along with our support for the council's recommendations, may be the most important message we can convey as we look forward to the commencement of the 2002 General Assembly.

Postsecondary reform is going to continue. The institutions are going to use their resources the best they can. They are in the process of reallocating internally to make sure that those things that are most important to the state and regions are being supported.

Mr. Kelly asked to what extent the process of cooperation, with the leadership of the council, would continue to resolve issues rather than just break down into separate camps. Mr. Votruba replied that the commitment to collaboration and cooperation is strong and that the entire postsecondary education agenda needs to be pushed ahead.

Mr. Sanders asked if the institutions had done any budget analysis on the health insurance issue if the state mandates that active employees come under the state health insurance

plan. Mr. Eaglin replied that Morehead State University had and is not in favor. Seventy-five percent of the costs on average of health insurance are funded at the institutions. Faculty and staff see a distinct advantage of being part of a self-insured program. Mr. Reid, Kentucky State University, said it was a major problem. Mr. Votruba stated that NKU does not self-insure.

Ms. Adams commented about the amazing difference in the level of cooperation among the institutions since 1997 and hopes that it will continue.

Mr. Turner expressed his interest that the universities would work with P-16 councils to get everyone in the state through the high school level.

Mr. Ford commented that enrollment in adult education has increased 26 percent in the last two years. He also applauded the cooperation between the council and the institutions.

Mr. Whitehead stated that SCOPE would not meet the first quarter of 2002 and members would be contacted when dates for the next meetings are set.

The meeting adjourned at 12:46 p.m.